



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/022

**Audit of control procedures
established by UNSOA for equipment
and supplies provided in support of
AMISOM**

**Overall results relating to the effective
management by UNSOA of equipment and
supplies provided in support of AMISOM were
initially assessed as partially satisfactory.
Implementation of six important
recommendations remains in progress**

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

22 March 2013

Assignment No. AP2012/638/07

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AUDIT REPORT

Audit of control procedures established by UNSOA for equipment and supplies provided in support of AMISOM

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of control procedures established by United Nations Support Office for the African Union Mission in Somalia (UNSOA) for equipment and supplies provided in support of the African Union Mission in Somalia (AMISOM).

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.

3. On 12 July 2009, the United Nations and the African Union (AU) signed a Memorandum of Understanding (MOU) for the provision of support to AMISOM. The MOU specified that the AU was responsible for ensuring that all equipment, goods and/or services were used exclusively for the support of AMISOM for the duration of the mandate and that they were to be used in a transparent and effective manner for the purposes intended. The MOU was supplemented with a number of cross functional Support Implementation Agreements (SIA), approved and signed by the signatories to the MOU. The SIAs set out the steps in the support process to be followed by UNSOA and AMISOM for the various types of support provided.

4. UNSOA operated from its headquarters in Nairobi, Kenya and had an office in Mogadishu, Somalia, and a Support Base in Mombasa, Kenya. For the financial year 2011/12, the authorized staffing level of UNSOA was 295 posts, comprising 168 internationals and 127 nationals. At the time of the audit, there had been two Certificates of Temporary Possession (COTPs) submitted to the AU Coordinator for 7,326 assets with a total value of \$70.4 million. Since the start of the mission, expendables valued at approximately \$39 million had been issued.

5. Comments provided by UNSOA are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the UNSOA governance, risk management and control processes in providing reasonable assurance regarding the **effective management by UNSOA of equipment and supplies provided in support of AMISOM**.

7. This audit was included in the 2012 OIOS risk-based work plan due to the criticality for the AMISOM mandate of UNSOA's adequate management of logistical support, and higher governance risks posed by UNSOA's remote management of equipment and supplies provided to AMISOM.

8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Project management** - controls that provide reasonable assurance that there is sufficient project management capacity to achieve the mandate of UNSOA in supporting AMISOM.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from August to October 2012. The audit covered the period from 1 July 2010 to 30 June 2012. The audit included all equipment and supplies provided to AMISOM except rations, for which an audit was being conducted in late 2012/early 2013 and for fuel management, which would be audited in 2013. Considering the scope of these audits, it was decided to conduct separate comprehensive audits.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNSOA governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management by UNSOA of equipment and supplies provided in support of AMISOM**. OIOS made seven recommendations in the report to address issues identified. UNSOA had established a Joint Support Operations Centre (JSOC) to assist in planning, coordinating and resolving matters of mutual concern with AMISOM. There was also a Material Management Group (MMG) established to strengthen property management by UNSOA. However, the role of the JSOC needed to be formalized, and that of the MMG needed to be clarified to ensure effective management of planning and operational activities. The management of equipment and supplies provided to AMISOM needed to improve as required reports were not submitted to UNSOA by AMISOM. COTPs were not always prepared in a timely manner, and inventory management lacked coordination. UNSOA had taken action to enhanced security measures over the movement of personnel entering and leaving the Mogadishu Support Base.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of six important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management by UNSOA of equipment and supplies provided in support of AMISOM	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

The role of Joint Support Operations Centre was not sufficiently formalized

14. UNSOA had established a JSOC to assist in planning, coordinating and resolving matters of mutual concern with AMISOM. However, there was a lack of important representation of AMISOM military personnel in JSOC activities. Moreover, there were no terms of reference and standard operating procedures (SOPs) to guide the activities of the JSOC. There were no minutes of meetings held or records of activities undertaken to ensure the effectiveness of the JSOC as a project management mechanism.

(1) UNSOA should reinforce the Joint Support Operations Centre (JSOC) as an integral part of its project management capacity in Somalia by providing JSOC with clear terms of reference and standard operating procedures.

UNSOA accepted recommendation 1 and stated that the terms of reference and SOPs for the JSOC had been prepared and were under review. Recommendation 1 remains open pending receipt of copies of the approved terms of reference and SOPs to govern and guide activities of the JSOC, and compliance thereof.

B. Regulatory framework

Delays in submitting reports required under the Memorandum of Understanding

15. There were significant delays by AMISOM in submitting the monthly and annual reports required under the MOU, although UNSOA had provided capacity building and training to AMISOM in this area. In order to obtain assurance that assets provided were available, UNSOA extended its verification contract (entered into to inspect contingent-owned equipment) to include inspections of United Nations-owned equipment (UNOE) transferred to AMISOM, a function normally carried out by United Nations staff.

(2) UNSOA, in conjunction with the Department of Field Support, should follow-up with the African Union to ensure that monthly and annual reports required under the Memorandum of Understanding are submitted in a timely manner.

UNSOA accepted recommendation 2 and stated that it was working with its AMISOM counterparts to ensure that the required reports were provided. Recommendation 2 remains open pending receipt of copies of the monthly reports and the 2012 annual report submitted by AMISOM.

Lack of an integrated UNSOA/AMISOM operating manual

16. UNSOA had developed SOPs including guidelines for the processing of incoming and outgoing shipments at the Mombasa Support Base and Mogadishu Support Base and for the process to be followed by AMISOM Movement Control in Mogadishu. However, these SOPs were in draft form and needed to be further developed to provide guidance on property management. For example, AMISOM needed to maintain adequate records to account for the assets received on loan from UNSOA to mitigate the difficulties being encountered in accounting for these assets. UNSOA advised that additional training would be provided to AMISOM on property management.

(3) UNSOA should, in conjunction with AMISOM, review and finalize current procedures, and develop additional procedures to guide both UNSOA and AMISOM in implementing the required activities under the Support Implementation Agreements.

UNSOA accepted recommendation 3 and stated that the required SOPs were under development. Recommendation 3 remains open pending receipt of a copy of the final SOPs.

Certificates of Temporary Possession were not prepared in a timely manner

17. MMG was established to strengthen property management by UNSOA. However, the SOP on accounting and movement of UNOE and expendables did not adequately reflect the responsibilities of MMG and the process of interfacing with other UNSOA sections on property management. As a result, functions such as collecting asset issue vouchers, updating the Galileo system, and compiling all documentation in support of assets transferred to AMISOM were not systematically done. These conditions delayed the preparation of the COTPs, as the MMG had to retroactively collate the necessary data to prepare two COTPs covering the period from the signing of the MOU on 12 July 2009 to 21 June 2011. Furthermore, the required frequency for preparation of the COTP was not clearly stated in the MOU.

18. Additionally, MMG had not implemented a procedure to systematically account for and record transfers to AMISOM. For the period ending 30 June 2012, UNSOA was in the process of retroactively gathering data to complete the third COTP, with a full joint (UNSOA and AMISOM) physical inventory planned for November 2012.

(4) UNSOA should: (i) revise the standard operating procedures on ‘accounting and movement of United Nations-owned equipment and expendables in UNSOA’ to reflect the Material Management Group’s responsibilities and process interfaces with other UNSOA sections; and (ii) clarify the frequency of certification by the African Union of the Certificates of Temporary Possession.

UNSOA accepted recommendation 4 and stated that SOPs related to property management were currently under review to ensure compliance with IPSAS provisions, and to be in line with the centralized warehouse concept. Management would ensure that the role of the MMG was reflected in relevant SOPs. The requirements concerning the certification of COTPs by the AU would also be reviewed. Recommendation 4 remains open pending receipt a copy of the final SOPs that clarify the responsibilities of MMG and the frequency of certification by the AU of the COTPs.

Controls over the movement of UNOE needed strengthening

19. The responsibilities of UNSOA and AMISOM for UNOE movement were outlined in the MOU, SIAs and UNSOA SOPs. However, the control framework needed to be enhanced to ensure that all equipment and supplies were properly accounted for. For example, for the 63 sea shipments of equipment and supplies provided to AMISOM, not all the required signed issue vouchers and handover certificates were available. Also, cargo movement requests, transfer-out and return vouchers created by self-accounting units (SAUs) did not consistently bear the signatures of consignees. The lack of the required signatures on authorizing documents delayed the updating of Galileo. UNSOA had adequately addressed this issue in November 2012, and had ensured that sufficient supporting documentation was in place for the movement of UNOE.

Inventory management lacked coordination

20. Inventory reports recorded excessive levels of expendables for SAUs for the six months ending 30 June 2012. For example, Galileo recorded inventory levels of 38.6 per cent and 51.4 per cent for the Information Communication Technology (ICT) and Engineering Sections, respectively. These levels exceeded the acceptable DFS Logistics Support Division stock ratio of 20 per cent (with a tolerance of five per cent), as SAUs had not reviewed the inventory and stock turnover to support the need to hold certain levels of stock or to identify excess and/or obsolete stock.

(5) UNSOA should review its inventory management procedures with the aim of reducing expendables to reasonable levels, and within the parameters established by the Logistics Support Division.

UNSOA accepted recommendation 5 and stated that UNSOA was conducting a full physical verification of all property holdings, in preparation for the implementation of IPSAS. Within this exercise, stock holdings would be reviewed to determine and eliminate any excess. Recommendation 5 remains open pending receipt of evidence that UNSOA has conducted a review of its inventory management procedures, and action has been taken to bring stock levels down to those recommended by the DFS Logistics Support Division.

Delivery of medical equipment and drugs was not adequately monitored

21. UNSOA was responsible for ordering and delivering medical supplies for AMISOM. UNSOA was experiencing delays of up to nine months (from late 2011 through 2012) for the receipt of essential medical supplies and equipment for the AMISOM Level II hospital, valued at about \$3.3 million. Delays were due to the time taken to clear customs and shipment delays by suppliers, although UNSOA had made efforts to expedite delivery in accordance with contract conditions. With the expansion of the AMISOM military operation into new sectors, the timely receipt and deployment of medical supplies was considered critical.

22. AMISOM received medical supplies that were purchased by UNSOA through United Nations systems contracts and/or procured directly. Supplies were also deployed from other missions. However, due to delays in the delivery of supplies, some of them had expired or were about to expire when received. For example, in a memorandum dated July 2012, AMISOM reported to UNSOA that basic start-up kits for Level I and II medical facilities were already expired on delivery, or had expiry dates less than six months. OIOS observed a container that was approximately 80 per cent full of expired medical supplies, with an unknown value, that had accumulated over the last two years. Moreover, AMISOM in the same memorandum expressed concerns over the small quantities of some essential/fast moving drugs received from UNSOA that resulted in under stocking of certain items.

(6) UNSOA, with the assistance of the Department of Field Support, should: (a) improve the delivery lead times of essential medical supplies; and (b) adjust the quantity of drugs and medicines required by AMISOM in line with consumption patterns to avoid unnecessary expenditures or shortages.

UNSOA accepted recommendation 6 and stated that delivery timelines for medicines and equipment had improved. Further improvements were expected with the evolution of its plan in collaboration with the recently established UNSOA Level 2 international medical team in Mogadishu. A local procurement authority had also been requested to shorten delivery lead times. Recommendation 6 remains open pending receipt of evidence that delivery lead times have improved, and procedures are in place to align quantities of drugs and medicines with

consumption patterns.

Containers were being used to effectively store supplies

23. UNSOA had an inventory of sea containers valued at \$7.4 million. The containers were managed by the Engineering Section and most containers were stored in Mogadishu, with several in Mombasa. Requisitions normally required that the related container be purchased with goods. Each container was captured in Galileo. The number of containers were continuing to rise, and although used for storage and the movement of equipment and supplies, OIOS was of the view that a review needed to be conducted to determine whether UNSOA had surplus containers. UNSOA advised that the use of containers rather than building warehouses had yielded cost savings. Also, due to the operational requirements and expansion of AMISOM, a fleet of containers in good condition was critical. Adequate procedures were in place, and a Container Supervisor was responsible for tracking locations of containers, their condition and periodically reporting the status to UNSOA management.

Assets were not properly safeguarded

24. A site visit to the Mogadishu Support Base identified weaknesses in access controls and inadequate warehouse security. The movement of containers entering and leaving the base was not registered and checked. There was inadequate inventory control over general supplies and other SAU holdings in storage facilities. The ICT warehouses contained high-value assets that were easily accessible by unauthorized persons through back entrances.

25. OIOS has previously recommended security enhancements as part of its audit of safety and security (AP2011/638/03), and UNSOA advised that steps would be taken to enhance access controls.

(7) UNSOA should strengthen controls over the movement of containers entering and leaving the Mogadishu Support Base, and enhance security measures over access to warehouses.

UNSOA accepted recommendation 7 and stated that due to the improved security situation, additional staff were deployed to Mogadishu, and the security of the Support Base was under the control of UN security staff, and contractual armed guards rather than relying on military personnel. A secure perimeter had been established and procedures implemented to record movements. Based on the action taken by UNSOA, which was confirmed by OIOS, recommendation 7 has been closed.

IV. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the Management and staff of [insert audited entity] for the assistance and cooperation extended to the auditors during this assignment.



David Kanja, Assistant Secretary-General
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of control procedures established by UNSOA for equipment and supplies provided in support of AMISOM

Recom. no.	Recommendation	Critical ¹ / important ²	C/O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNSOA should reinforce the Joint Support Operations Centre as an integral part of its project management capacity in Somalia by providing it with clear terms of reference and standard operating procedures.	Important	O	Receipt of copies of the approved terms of reference and SOPs to govern and guide activities of the JSOC, and compliance thereof.	30 April 2013
2	UNSOA, in conjunction with the Department of Field Support, should follow-up with the African Union to ensure that monthly and annual reports required under the Memorandum of Understanding are submitted in a timely manner.	Important	O	Receipt of copies of the monthly reports and the 2012 annual report submitted by AMISOM.	31 May 2013
3	UNSOA should, in conjunction with AMISOM, review current procedures with the aim to finalize them and develop additional procedures to guide both UNSOA and AMISOM in implementing the required activities under the Support Implementation Agreements.	Important	O	Receipt of a copy of the final SOPs.	31 May 2013
4	UNSOA should: (i) revise the standard operating procedures on 'accounting and movement of United Nations-owned equipment and expendables in UNSOA' to reflect the Material Management Group's	Important	O	Receipt of the approved SOPs clarifying the responsibilities of the MMG and the frequency of certification by the African Union of the Certificates of Temporary Possession.	31 May 2013

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

3 C = closed, O = open

4 Date provided by UNSOA in response to recommendations.

Recom. no.	Recommendation	Critical¹/ important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
	responsibilities and process interfaces with other UNSOA sections; and (ii) clarify the frequency of certification by the African Union of the Certificates of Temporary Possession.				
5	UNSOA should review its inventory management procedures with the aim to reduce expendables to reasonable levels, and within the parameters established by the Logistics Support Division.	Important	O	Receipt of documentation evidencing UNSOA review of operational inventory and stock turnover to match stock levels to within the DFS Logistics Support Division recommended level	30 June 2013
6	UNSOA, with the assistance of the Department of Field Support, should: (a) improve the delivery lead times of essential medical supplies; and (b) readjust the quantity of drugs and medicines required by AMISOM in line with consumption patterns to avoid unnecessary expenditures, or shortages.	Important	O	Receipt of the mission supply plan showing improved delivery timelines for medicines and equipment, and mechanism(s) established to align quantities of drugs and medicines with consumption patterns.	30 June 2013
7	UNSOA should strengthen controls over the movement of containers entering and leaving the Mogadishu Support Base, and enhance security measures over access to warehouses.	Important	C	Action taken	Implemented